




**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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AUDITOR-CONTROLLER

April 5, 2013

TO: Mark Oune
Assistant Treasurer and Tax Collector

FROM: Jim Schneiderman 
Assistant Auditor-Controller

SUBJECT: **INTERNAL CONTROLS OVER THE MIGRATION TO ONLINE REMOTE DEPOSITS**

At your request, we have evaluated the controls needed as a result of Bank of America changing to online electronic check depositing, instead of deposits being made at bank branches.

Treasurer and Tax Collector (TTC) management indicated that the only change to TTC's current depositing process is that checks will be scanned and sent to the bank electronically, instead of being transported by armored car. As a result, all existing deposit controls/procedures required by the County Fiscal Manual (CFM) still apply and should be followed. For example:

- Departments should deposit/scan daily collections of \$500 or more into the bank system by the close of each business day, and approve corresponding eCAPS deposits within one business day of receipt of the funds, as required by CFM Section 1.3.7.1.
- Departments should ensure an individual independent of the cash receipting or depositing/scanning functions reconciles deposits on the bank system to the department's internal receipts and reports to verify that all collections are properly accounted for and deposited as required by CFM Section 1.3.3.1. This process should include reconciling each batch or control totals, including review by a supervisor who is independent of deposit preparation.
- TTC must apply final approvals on all eCAPS deposits after receipt and verification of the funds, as required by CFM Section 1.3.7.1.

The following are additional suggestions to help TTC develop procedures and controls for the scanning of checks and their electronic submission to the bank. Departments should:

- Limit access to scanners, electronic check images, and the bank computer system based on each user's responsibilities as required by CFM Section 8.6.0.
- Ensure deposits can only be made to authorized County bank accounts.
- Ensure authorized staff independent of the deposit process review and resolve deposit errors from the bank or on eCAPS, and other management and exception reports.
- Ensure encryption and other appropriate data security protocols are in place for the electronic transmission of sensitive information between the County and the bank, and for the software that supports the scanners and deposit process.
- Establish a secure means of check processing, storage, and disposal (e.g., shredding), and ensure that all scanned checks are accounted for and disposed of.
- Establish internal controls to safeguard scanners from tampering, accidental loss, damage, or theft as required by CFM Section 8.2.4.

TTC should also work with the Chief Information Office to ensure that the electronic submission process meets the technical specifications/configurations, and other County standards as required by Board of Supervisors Policy Manual Section 6.020.

Thank you for the opportunity to comment on this process prior to implementation. We plan to review the remote deposit process at a sample location after it has been implemented. Please call me if you have any questions, or your staff may contact Robert Smythe at (213) 253-0101.

JLS:RS:MP

c: Audit Committee